

NORWAY-VULCAN AREA SCHOOL DISTRICT

**Financial Report
with Supplemental Information
Prepared in Accordance with GASB 34**

June 30, 2006

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	4
ADMINISTRATION'S DISCUSSION AND ANALYSIS	7
BASIC FINANCIAL STATEMENTS	19
STATEMENT OF NET ASSETS	20
STATEMENT OF ACTIVITIES.....	21
BALANCE SHEET – GOVERNMENTAL FUNDS	22
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS.....	24
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	25
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	27
STATEMENT OF FIDUCIARY NET ASSETS	28
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS.....	29
NOTES TO THE FINANCIAL STATEMENTS.....	30
REQUIRED SUPPLEMENTAL INFORMATION.....	92
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND	93
OTHER SUPPLEMENTAL INFORMATION.....	94
COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS.....	95
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS	96
SPECIAL REVENUE FUNDS – COMBINING BALANCE SHEET	97
SPECIAL REVENUE FUNDS - COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES.....	98
GENERAL FUND - COMPARATIVE BALANCE SHEET	99
GENERAL FUND - SUPPLEMENTAL SCHEDULE OF REVENUE - ACTUAL COMPARED TO BUDGET	100
GENERAL FUND - SUPPLEMENTAL SCHEDULE OF EXPENDITURES – ACTUAL COMPARED TO BUDGET	102
SPECIAL REVENUE FUND – FOOD SERVICE - COMPARATIVE BALANCE SHEET	110
SPECIAL REVENUE FUND – FOOD SERVICE - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – ACTUAL COMPARED TO BUDGET.....	111
SPECIAL REVENUE FUND – BOOKSTORE ACCOUNT – COMPARATIVE BALANCE SHEET	112
SPECIAL REVENUE FUND – BOOKSTORE ACCOUNT – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – ACTUAL COMPARED TO BUDGET	113

TABLE OF CONTENTS

Page

OTHER SUPPLEMENTAL INFORMATION (Continued)

SPECIAL REVENUE FUND – ATHLETIC FUND – COMPARATIVE BALANCE SHEET.....	114
SPECIAL REVENUE FUND – INTERSCHOLASTIC ATHLETIC FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – ACTUAL COMPARED TO BUDGET	115
DEBT RETIREMENT FUND - COMPARATIVE BALANCE SHEET	116
DEBT RETIREMENT FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – ACTUAL COMPARED TO BUDGET	117
CAPITAL PROJECTS FUND - COMPARATIVE BALANCE SHEET	118
CAPITAL PROJECTS FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – ACTUAL COMPARED TO BUDGET	119
TRUST AND AGENCY FUND - STATEMENT OF CHANGES IN ASSETS, LIABILITIES, AND FUND BALANCE.....	120
AGENCY FUNDS - SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS	121
PROPERTY TAX DATA.....	123
 INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING.....	 124

INDEPENDENT AUDITOR'S REPORT

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

Board of Education
Norway-Vulcan Area School District
300 Section Street
Norway, Michigan 49870

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Norway-Vulcan Area School District**, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Education, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

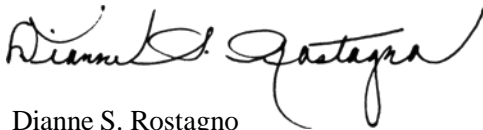
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the **Norway-Vulcan Area School District** as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 09, 2006 on our consideration of the **Norway-Vulcan Area School District's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the report in considering the results of our audit.

The administration's discussion and analysis on pages 8 through 18 and the budgetary comparison information are not required parts of the basic financial statements but are supplemental information required by the *Governmental Accounting Standards Board* and by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of the inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Norway-Vulcan Area School District's** basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno". The signature is fluid and cursive, with a large, stylized initial "D".

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

August 09, 2006

ADMINISTRATION'S DISCUSSION AND ANALYSIS

Norway-Vulcan Area Schools

300 Section Street . Norway Michigan 49870 . Phone: 906.563.9552 . Fax: 906.563.5169

The **Norway-Vulcan Area School District** is a K-12 school district located in Dickinson County, Michigan.

The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the **Norway-Vulcan Area School District's** discussion and analysis of the financial results for the fiscal year ended June 30, 2006.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual". In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds, including Debt Service, Capital Projects, and the School Service Funds, which are comprised of Food Service and Athletics.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term debt obligations are recorded as expenditures. Future years' debt obligations are not recorded.

District-wide Financial Statements

The *District-wide Financial Statements* are full accrual basis statements. They report all of the District's assets and liabilities, both short and long-term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Service Fund solely for the payment of long-term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Assets on the *District-wide Financial Statements*.

Norway-Vulcan Area Schools

300 Section Street . Norway Michigan 49870 . Phone: 906.563.9552 . Fax: 906.563.5169

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity and scholarship funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Summary of Net Assets:

The following summarizes the comparative net assets at fiscal years ended June 30, 2006 and June 30, 2005:

NET ASSETS SUMMARY

Assets

Current Assets	\$ 4578869
Capital Assets	17015448
Less: Accumulated Depreciation	<u>(6512835)</u>
Capital assets, net book value	10502613
Total Assets	\$ <u>15081482</u>

Liabilities

Current Liabilities	1209222
Long-term Liabilities	<u>9605033</u>
Total Liabilities	10814255

Net Assets

Investment in capital assets, net of related debt	736380
Reserved for Debt Service	149030
Reserved for Capital Projects	1342337
Reserved for Food Service	5101
Reserved for Bookstore	3817
Reserved for Athletics	1596
Unreserved and Undesignated	<u>2028966</u>

Total Net Assets	4267227
-------------------------	----------------

Total Liabilities and Net Assets	\$ <u>15081482</u>
---	---------------------------

Norway-Vulcan Area Schools

300 Section Street . Norway Michigan 49870 . Phone: 906.563.9552 . Fax: 906.563.5169

Summary of Net Assets: (Continued)

	<u>June 30, 2005</u>
<u>NET ASSETS SUMMARY</u>	
Assets	
Current Assets	\$ 8075284
Capital Assets	16918724
Less: Accumulated Depreciation	<u>(6069294)</u>
Capital assets, net book value	10849430
Total Assets	\$ <u>18924714</u>
Liabilities	
Current Liabilities	1092532
Long-term Liabilities	<u>13497297</u>
Total Liabilities	14589829
Net Assets	
Investment in capital assets, net of related debt	(2759389)
Reserved for Debt Service	3627442
Reserved for Capital Projects	1366446
Reserved for Food Service	8104
Reserved for Bookstore	3592
Reserved for Athletics	1130
Unreserved and Undesignated	<u>2087560</u>
Total Net Assets	<u>4334885</u>
Total Liabilities and Net Assets	\$ <u>18924714</u>

Analysis of Financial Position

During fiscal year ended June 30, 2006, the District's net assets increased by \$ 177,130 (before the adjustment to account for the defeasement of debt.) A few of the significant factors affecting net assets during the year are discussed below:

Norway-Vulcan Area Schools

300 Section Street . Norway Michigan 49870 . Phone: 906.563.9552 . Fax: 906.563.5169

A. General Fund Operations

The District's expenditures from General Fund operations exceeded revenues by \$ 68,498 after transfers out to other funds. The fund balance of the Debt Service Fund increased by \$ 81,377 before the adjustment for defeasement of debt. The Capital Projects Fund fund balance declined by \$ 24,109 due to the expenditures for capital outlay during the current fiscal period, and the fund balances of other non-major governmental funds decreased by \$ 2,312.

B. Debt, Principal Payments

The District's long-term debt activity is as follows:

	Principal Balance 06/30/05	Additions	Principal Payment Applied	Principal Balance 06/30/06
1999 Serial Bonds	\$ 260000	\$ 0	\$ 50000	\$ 210000
2003 Refunding Bonds	5530000	0	475000	5055000
2005 Refunding Bonds	3595000	0	0	3595000
Michigan School Bond Loan Fund	874677	0	0	874677
Durant Resolution Bonds	34143	0	2587	31556
Accrued Long-term Sick Leave	<u>416063</u>	<u>0</u>	<u>9902</u>	<u>406161</u>
Totals	\$ 10709883	\$ 0	\$ 537489	\$ 10172394

C. Net Investment in Capital Assets

The District's net investment in capital assets is as follows:

	Balance 06/30/05	Additions	Deletions	Balance 06/30/06
Capital Assets	\$ 16918724	\$ 96724	\$ 0	\$ 17015448
Less: Accumulated Depreciation	<u>(6069294)</u>	<u>(443542)</u>	<u>0</u>	<u>(6512836)</u>
Net Investment in Capital Assets	\$ 10849430	\$ (346818)	\$ 0	\$ 10502612

Norway-Vulcan Area Schools

300 Section Street . Norway Michigan 49870 . Phone: 906.563.9552 . Fax: 906.563.5169

Results of Operations:

For the fiscal years ended June 30, 2006 and June 30, 2005, the comparative District-wide results of operations were as follows:

	<u>June 30, 2006</u>
Revenues	
<i>General Revenues</i>	
Property taxes, levied for general operations	\$ 734139
Property taxes, levied for debt service	914489
Other local taxes and fees	120582
State Aid, Unrestricted	5424407
Interest and Investment Earnings	116926
Other general revenues	<u>105784</u>
<i>Total General Revenues</i>	7416327
 <i>Operating Grants</i>	
Federal	327443
State of Michigan	242128
Other operating grants	<u>0</u>
<i>Total Operating Grants</i>	569571
 Capital Grants	0
 <i>Charges for Services</i>	
Tuition	62764
Food Service	167724
Athletics	39841
Other	<u>1086</u>
<i>Total Charges for Services</i>	271415
 Total Revenues	\$ 8257313

Norway-Vulcan Area Schools

300 Section Street . Norway Michigan 49870 . Phone: 906.563.9552 . Fax: 906.563.5169

Results of Operations: (Continued)

	<u>June 30, 2006</u>
Expenses	
Instruction	\$ 4744082
Support Services	1995771
Food Services	299334
Athletics	204775
Bookstore	861
Interest on long-term debt	363003
Other Costs	768
Depreciation (Unallocated)	443542
Intergovernmental payments	<u>28047</u>
Total Expenses	\$ 8080183

INCREASE IN NET ASSETS	177130
BEGINNING NET ASSETS, UNADJUSTED	4334885
Adjust to account for defeasement of debt, net	(244788)
BEGINNING NET ASSETS, ADJUSTED	<u>4090097</u>
ENDING NET ASSETS	\$ 4267227

	<u>June 30, 2005</u>
Revenues	
<i>General Revenues</i>	
Property taxes, levied for general operations	\$ 715402
Property taxes, levied for debt service	896815
Other local taxes	23863
State Aid, Unrestricted	5476143
Interest and Investment Earnings	81001
Other general revenues	<u>68651</u>
Total General Revenues	\$ 7261875

Norway-Vulcan Area Schools

300 Section Street . Norway Michigan 49870 . Phone: 906.563.9552 . Fax: 906.563.5169

Results of Operations: (Continued)

	<u>June 30, 2005</u>
Operating Grants	
Federal	\$ 254219
State of Michigan	263508
Other operating grants	<u>2000</u>
Total Operating Grants	519727
Capital Grants	0
Charges for Services	
Tuition	\$ 33872
Food Service	149490
Athletics	39313
Other	<u>1572</u>
Total Charges for Services	224247
Total Revenues	\$ 8005849
Expenses	
Instruction	\$ 4754825
Support Services	1912840
Food Services	291077
Athletics	205605
Bookstore	1536
Interest on long-term debt	407987
Other Costs	3222
Depreciation (Unallocated)	439829
Intergovernmental payments	<u>14936</u>
Total Expenses	\$ 8031857
Non-Operating Income (Expenses)	
Bond Premium	40223
Cost of Bond Issuance	(74589)
DECREASE IN NET ASSETS	(60374)
BEGINNING NET ASSETS	<u>4395259</u>
ENDING NET ASSETS	\$ 4334885

Norway-Vulcan Area Schools

300 Section Street . Norway Michigan 49870 . Phone: 906.563.9552 . Fax: 906.563.5169

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance.
- b. Student Enrollment - Blended at 80 percent of current year's fall count and 20 percent of prior year's winter count.
- c. The District's non-homestead levy.

Per Student, Foundation Allowance

Annually, the State of Michigan establishes the per student foundation allowance. The **Norway-Vulcan Area School District's** foundation allowance was \$ 6,875 per student for the 2005-2006 school year.

Student Enrollment

The District's pupil enrollment for state aid membership for the 2005-2006 fiscal year was 911.54. The District's enrollment decreased slightly from the prior year's student count. The following summarizes the state aid membership (student enrollments) for the past five years:

	<u>Student FTE</u>
2005-2006	911.54
2004-2005	938.44
2003-2004	969.21
2002-2003	1004.34
2001-2002	1045.06

2. Property Taxes Levied for General Operations (General Fund Non-Homestead)

The District levies 18 mills of property taxes for operations (General Fund) on non-homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase, or five percent, whichever is less.

At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

Norway-Vulcan Area Schools

300 Section Street . Norway Michigan 49870 . Phone: 906.563.9552 . Fax: 906.563.5169

Property Taxes Levied for General Operations (General Fund Non-Homestead) (Continued)

The District's non-homestead property tax revenue for the 2005-2006 fiscal year was \$ 734,139. The non-homestead property tax levy increased by approximately 2.61% over the prior year.

The following summarizes the District's non-homestead property tax levy for the past five years:

	<u>Non-Homestead Tax Levy</u>	<u>Percent Increase From Prior Year</u>
2005-2006	\$ 734139	2.61
2004-2005	715402	3.85
2003-2004	688900	3.02
2002-2003	668685	2.85
2001-2002	650163	4.28

Average increase over last five years: 3.32%

3. Debt Service Fund Levy

The District's debt service fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties - both homestead and non-homestead. For the fiscal year ended June 30, 2006, the District's debt millage levy was 7.43 mills, which generated revenue of \$ 914,489.

4. Food Sales to Students and Adults (School Lunch Program)

The District's food sales to students increased by \$ 10,855. Food sales to adults increased by \$ 829, and Ala Carte sales increased by \$ 6,384 during this same period. Sale of milk increased by \$ 109. There were several small price increases from the prior fiscal year, which is partially responsible for these increased sales.

Norway-Vulcan Area Schools

300 Section Street . Norway Michigan 49870 . Phone: 906.563.9552 . Fax: 906.563.5169

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in Required Supplemental Information of these financial statements. General Fund budgetary highlights are as follows:

	Revenues Original Budget	Revenues Final Budget	Revenues Final Actual	Revenues Variance Actual vs Original Budget	Revenues Variance Actual vs Final Budget
General Fund	\$ 6789450	\$ 6716544	\$ 6886698	\$ 97248	\$ 170154

	Expenditures Original Budget	Expenditures Final Budget	Expenditures Final Actual	Expenditures Variance Actual vs Original Budget	Expenditures Variance Actual vs Final Budget
General Fund	\$ 6867313	\$ 6770836	\$ 6789896	\$ 77417	\$ 19060

Actual revenues were higher than both the original and the final amended budgets, coming in at \$ 6,886,698, an increase of \$ 97,248, or approximately 1.43 percent more than the original and final amounts budgeted.

Budgeted expenditures were decreased by \$96,477 from the original budgeted amounts, representing an approximate 1.12 percent decrease.

Norway-Vulcan Area Schools

300 Section Street . Norway Michigan 49870 . Phone: 906.563.9552 . Fax: 906.563.5169

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact:

Norway-Vulcan Area School District
School Business Office
300 Section Street
Norway, Michigan 49870

BASIC FINANCIAL STATEMENTS

NORWAY-VULCAN AREA SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2006

<u>ASSETS</u>	<u>Governmental Activities</u>
<i>Current Assets</i>	
Cash and Investments (Note 3)	\$ 3,532,355
Receivables	
Taxes	12,542
Accounts Receivable	-
Due from Other Governmental Units	1,031,450
Inventories	<u>2,522</u>
Total Current Assets	\$ 4,578,869
<i>Noncurrent Assets</i>	
Capital Assets (Note 5)	17,015,448
Less: Accumulated Depreciation (Note 5)	<u>(6,512,835)</u>
Total Noncurrent Assets	<u>10,502,613</u>
TOTAL ASSETS	\$ 15,081,482
 <u>LIABILITIES</u>	
<i>Current Liabilities</i>	
Accounts Payable	22,864
Accrued Salaries and Benefits	618,997
Deferred Revenue	-
Bonds Payable, Due within one year (Note 8)	<u>567,361</u>
Total Current Liabilities	1,209,222
<i>Noncurrent Liabilities</i>	
Bonds Payable (Note 8)	9,198,872
Compensated Absences Payable	<u>406,161</u>
Total Noncurrent Liabilities	9,605,033
TOTAL LIABILITIES	\$ 10,814,255
 <u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	736,380
Reserved for Debt Services	149,030
Reserved for Capital Projects	1,342,337
Reserved for Food Service	5,101
Reserved for Bookstore	3,817
Reserved for Athletics	1,596
Unreserved and Undesignated	<u>2,028,966</u>
TOTAL NET ASSETS	<u><u>\$ 4,267,227</u></u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Net(Expense) Revenue and Changes in Net Assets</u>
Primary Government -				
Government Activities:				
Instruction	\$ 4,744,082	\$ 62,764	\$ 376,225	\$ (4,305,093)
Support Services	1,995,771		60,033	(1,935,738)
Food Services	299,334	167,724	129,560	(2,050)
Athletics	204,775	39,841		(164,934)
Bookstore	861	1,086		225
Interest on Long-Term Debt	363,003		3,753	(359,250)
Other Costs	768			(768)
Depreciation (Unallocated)	443,542			(443,542)
Intergovernmental Payments	<u>28,047</u>			<u>(28,047)</u>
Total Governmental Activities	\$ 8,080,183	\$ 271,415	\$ 569,571	\$ (7,239,197)
General Revenues:				
Taxes:				
Property taxes levied for general operations				734,139
Property taxes levied for debt service				914,489
Other Taxes and fees				120,582
State Aid, Unrestricted				5,424,407
Interest and Investment Earnings				116,926
Other				<u>105,784</u>
Total General Revenues				7,416,327
Change in Net Assets				177,130
NET ASSETS - BEGINNING OF YEAR, Before Adjustment				4,334,885
Adjustment to account for the defeasement of debt, net				<u>(244,788)</u>
NET ASSETS - BEGINNING OF YEAR, After Adjustment				4,090,097
NET ASSETS - END OF YEAR				<u><u>\$ 4,267,227</u></u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2006

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
<u>ASSETS</u>			
Cash and Investments (Note 3)	\$ 2,028,789	\$ 145,077	\$ 1,342,920
Receivables:			
Taxes	8,589	3,953	-
Accounts Receivable	-	-	-
Due from Other funds	10,758	-	-
Due from Other Governmental Units	1,028,852	-	-
Inventories			
TOTAL ASSETS	\$ 3,076,988	\$ 149,030	\$ 1,342,920
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	22,864	-	-
Accrued Salaries and Benefits	618,997	-	-
Due to Other Funds	-	-	583
TOTAL LIABILITIES	641,861	-	583
<u>FUND BALANCES</u>			
Unreserved and undesignated	2,435,127	-	-
Reserved for Debt Service		149,030	
Reserved for Capital Projects			1,342,337
Reserved for Food Service			
Reserved for Bookstore			
Reserved for Athletics	-	-	-
TOTAL FUND BALANCES	2,435,127	149,030	1,342,337
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,076,988	\$ 149,030	\$ 1,342,920

NORWAY-VULCAN AREA SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2006

Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 15,569	\$ 3,532,355
	12,542
	-
	10,758
2,598	1,031,450
2,522	2,522
\$ 20,689	\$ 4,589,627
-	22,864
	618,997
10,175	10,758
10,175	652,619
-	2,435,127
	149,030
	1,342,337
5,101	5,101
3,817	3,817
1,596	1,596
10,514	3,937,008
\$ 20,689	\$ 4,589,627

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

GOVERNMENTAL FUNDS

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

June 30, 2006

Total Fund Balances - Governmental Funds	\$ 3,937,008
---	---------------------

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities
are not financial resources and are not
reported in the funds.

The cost of capital assets is:	17,015,448
Accumulated depreciation is:	(6,512,835)

Long term liabilities are not due and payable
in the current period and are not reported
in the funds:

Bonds Payable	(9,766,233)
Compensated Absences/Other Benefits	(406,161)

Other long term assets not available to pay
current period expenditures therefore
deferred in the funds

-

Total Net Assets - Governmental Activities	<u>\$ 4,267,227</u>
---	----------------------------

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS**

Year Ended June 30, 2006

	<u>General Fund</u>	<u>Debt Service Fund</u>
<u>REVENUE</u>		
Local Revenue	\$ 1,026,033	\$ 968,964
State Revenue	5,642,877	3,753
Federal Revenue	189,144	-
Interdistrict and Other	28,644	-
	<hr/>	<hr/>
TOTAL REVENUE	\$ 6,886,698	\$ 972,717
<u>EXPENDITURES</u>		
Current:		
Instruction	4,757,100	-
Support Services	2,004,749	-
Community Services	-	-
Food Services	-	-
Athletics	-	-
Bookstore	-	
Debt Service	-	
Principal	-	527,587
Interest and Fees	-	363,003
Other costs	-	750
Capital Outlay	-	-
Intergovernmental Payments	28,047	-
	<hr/>	<hr/>
TOTAL EXPENDITURES	\$ 6,789,896	\$ 891,340
Excess (Deficiency) of Revenues Over Expenditures	96,802	81,377
<u>Other Financing Sources (Uses)</u>		
Operating transfers in	-	-
Operating transfers out	(165,300)	-
	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(165,300)	-
 Net Change in Fund Balances	 (68,498)	 81,377
FUND BALANCE - BEGINNING OF YEAR, Before Adjustment	2,503,625	3,627,442
Adjustment to account for defeasance of debt	-	(3,559,789)
FUND BALANCE- BEGINNING OF YEAR, After Adjustment	2,503,625	67,653
	<hr/>	<hr/>
FUND BALANCE - END OF YEAR	\$ 2,435,127	\$ 149,030
	<hr/>	<hr/>

NORWAY-VULCAN AREA SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS**

<i>Year Ended June 30, 2006</i>		
Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 59,514	\$ 208,824	\$ 2,263,335
-	11,795	5,658,425
-	117,765	306,909
-	-	28,644
\$ 59,514	\$ 338,384	\$ 8,257,313
		4,757,100
		2,004,749
		-
	300,360	300,360
	204,775	204,775
	861	861
		-
		527,587
		363,003
18		768
83,605		83,605
		28,047
\$ 83,623	\$ 505,996	\$ 8,270,855
(24,109)	(167,612)	(13,542)
-	165,300	165,300
-		(165,300)
-	165,300	-
(24,109)	(2,312)	(13,542)
1,366,446	12,826	7,510,339
-	-	(3,559,789)
1,366,446	12,826	3,950,550
\$ 1,342,337	\$ 10,514	\$ 3,937,008

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

GOVERNMENTAL FUNDS**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES***Year Ended June 30, 2006*

Net Change in Fund Balances - Total Governmental Funds	\$ (13,542)
---	--------------------

Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures; in
the statement of activities; these costs are allocated over their
estimated useful lives as depreciation.

Depreciation Expense	(443,542)
Capital Outlay	96,724

Revenue reported in the statement of activities that does not provide
current financial resources and are not reported as revenue
in the governmental funds

-

Accrued interest is recorded in the statement of activities when
incurred; it is not reported in governmental funds until paid

-

Repayment of bond principal is an expenditure in the governmental
funds, but not in the statement of activities (where it reduces
long term debt)

527,587

Increases in compensated absences are reported as
expenditures when financial resources are used in the governmental
funds in accordance with GASB Interpretation No. 6

9,903

Bond proceeds are included as other financing sources in the
governmental fund statements

Change in Net Assets of Governmental Activities	\$ 177,130
--	-------------------

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

FIDUCIARY FUND

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2006

ASSETS

Cash, Deposits, and Investments	<u>\$ 328,874</u>
---------------------------------	-------------------

TOTAL ASSETS	<u><u>\$ 328,874</u></u>
---------------------	---------------------------------

LIABILITIES

Due to Student Groups	<u>91,042</u>
-----------------------	---------------

TOTAL LIABILITIES	\$ 91,042
--------------------------	------------------

NET ASSETS

Reserved for Scholarships	<u>237,832</u>
---------------------------	----------------

TOTAL NET ASSETS	<u><u>\$ 237,832</u></u>
-------------------------	---------------------------------

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

FIDUCIARY FUND

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year Ended June 30, 2006

	Private Purpose Trust Fund Scholarship Fund
<u>ADDITIONS</u>	
Gifts and Contributions	\$ 45,703
Investment Earnings	11,764
TOTAL ADDITIONS	\$ 57,467
<u>DEDUCTIONS</u>	
Scholarships Awarded	24,730
Other	-
TOTAL DEDUCTIONS	\$ 24,730
<i>Change in Net Assets</i>	32,737
Net Assets - Beginning of year	205,095
Net Assets - End of year	\$ 237,832

The notes to the financial statements are an integral part of this report.

NOTES TO THE FINANCIAL STATEMENTS

NORWAY-VULCAN AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the **Norway-Vulcan Area School District** conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies of the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the District does not contain any component units.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the District's district-wide activities are considered governmental activities.

The District generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The District may defer the use of restricted assets based on a review of the specific transaction.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**District-wide and Fund Financial Statements
(Continued)**

Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting and Financial
Statement Presentation**

District-wide Statements

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the district-wide financial statements.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting and Financial
Statement Presentation (Continued)**

Fund-based Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is measurable and available. Revenue is considered to be available if it is collected within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting and Financial
Statement Presentation (Continued)**

Fund-based Statements (Continued)

Property taxes, unrestricted State aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following governmental funds:

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting and Financial
Statement Presentation (Continued)**

Fund-based Statements (Continued)

General Fund

The General Fund is the School District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Capital Project Funds

These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or other capital assets, including equipment.

Debt Retirement Fund

These funds are used to account for the accumulated resources for, and the payment of, general long-term principal, interest, and related costs.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting and Financial
Statement Presentation (Continued)**

Fund-based Statements (Continued)

Debt Retirement Fund (Continued)

The General, Capital Projects, and Debt Retirement Funds are considered to be major funds for district-wide reporting purposes.

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The School Service Funds are special revenue funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting and Financial
Statement Presentation (Continued)**

Fund-based Statements (Continued)

Special Revenue Funds (Continued)

The School Service Funds maintained by the School District are the Food Services Fund, Athletic Activity Fund, and the Bookstore Accounts. They are reported as non-major funds in the district-wide statements.

Fiduciary Funds

These funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the district-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District presently maintains a Student Activities Fund (Agency Fund), and a Scholarship Fund (Private-Purpose Trust Fund). These funds are segregated and held in trust for the students.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds".

Property Taxes

Property taxes are levied on July 01 and payable by September 15 each year. They become delinquent on March 01 of the following year. Property taxes are recognized when they become available.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes (Continued)

The Counties of Dickinson and Menominee purchase all delinquent real property taxes during the second quarter of each year, resulting in total collection of real property taxes each year.

Delinquent personal property taxes are recorded as receivable if considered to be collectible within 60 days after year-end. For the year ended June 30, the School District levied 18 operating mills (non-homestead only), and 7.43 mills for debt retirement on its taxable valuation of \$125,121,873.

State Revenue

The State of Michigan uses a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Revenue (Continued)

The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts.

The State portion of the foundation is provided primarily by a State education property tax millage of 6.00 mills (on both homestead and non-homestead property) and an allocated portion of the State sales and other taxes.

The local portion of the foundation is funded primarily by non-homestead property taxes levied at a rate of up to 18 mills.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Revenue (Continued)

The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October 2005 through August 2006. The School District also receives revenue from the State to administer certain categorical education programs.

State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

State, general, and categorical aids are recognized as revenue in the entitlement year. Federal aids for reimbursement programs are recognized as revenues in the year related program expenditures are incurred. Aids received prior to meeting revenue recognition criteria are recorded as deferred revenues.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture commodities inventory received by the Food Service Fund is recorded as both revenue and expense in the year received. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles is reported in the applicable governmental column in the district-wide financial statements.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Capital assets are defined by the government as assets with an initial individual cost of more than \$ 1,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Building and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent Liabilities

Unemployment

Payroll and related withholding and expenses which have been earned by School District employees but not paid as of June 30 are recorded as a liability on the School District's balance sheet.

The School District is a reimbursing employer to the Michigan Employment Security Commission and as such is responsible to pay the Commission for those benefits paid and charged to its accounts. As of June 30, 2006 appropriate liabilities have been recorded for all claims paid by the Commission. However, no provision has been made for future payments that might result from claims in process or un-filed.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Sick Leave

The various employment contracts and agreements covering the School District's personnel allow for the accumulation of sick leave as defined.

Instructional

Upon termination of employment due to retirement or death and under the provisions of the contract between the Board of Education of the **Norway-Vulcan Area School District** and the U.P. Education Association for the fiscal year 2005-2006, teachers are paid on a sliding scale based on the number of sick days accumulated, ranging from \$10 to \$40 per day for each sick day accumulated, compensated at the highest rate they are eligible to receive. To qualify, a teacher must have a minimum of 7 years of service with the District.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued)

Sick Leave (Continued)

Non-instructional

Upon retirement, non-instructional employees (per Union Agreement between the Board of Education (NVA) and the Michigan Educational Association Support Personnel Association, receive benefits based on the number of sick days accumulated. These benefits range from \$ 10 to \$ 30 per day for each sick day accumulated. With the attainment of 20 years of service with the District, the retiree will be eligible for \$ 25 per year for each year of service upon retirement.

At June 30, 2006, the accumulated sick leave liability for all employees, including the related costs of FICA and retirement is estimated at \$ 451,290. Short-term benefits likely to be paid within the next 12 month period would result in a current liability of \$ 45,129. It is estimated that the long-term liability (calculated at the applicable percentage and rate at retirement) is approximately \$406,161.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-Monetary Transactions

Federal financial assistance received by school districts may include claims for reimbursement on reimbursable meals and milk served, cash in lieu of commodities, USDA donated commodities (both bonus and entitlement), discounts and rebates for the value of USDA donated commodity ingredients contained in processed foods (end products) provided by the state and federal processing program, respectively, and other payments for administrative costs, etc.

The Single Audit Act of 1984, as amended, and OMB Circular A-133 defines federal financial assistance to include both monetary and non-monetary forms of assistance provided by or passed down from a federal agency, such as grants, contracts, loans, loan guarantees, property, etc.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-Monetary Transactions (Continued)

On this basis, the District recognizes the value of USDA donated commodities (bonus and non-bonus) received and expended in the amount of \$ 11,547 for entitlement commodities, and bonus commodities of \$ 1,541.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Obligations (Continued)

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Budgetary Information (Continued)

State law requires the District to have its budget in place by July 01. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year.

**Excess of Expenditures Over Appropriations in
Budgetary Funds**

Budget Violations

P.A. 621 of 1978, SECTION 18 (1), as amended, provides a local unit shall not incur expenditures in excess of the amounts appropriated.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

**Excess of Expenditures Over Appropriations in
Budgetary Funds (Continued)**

Budget Violations (Continued)

The **Norway-Vulcan Area School District's** actual expenditures and budgeted expenditures for the funds budgeted have been shown on an activity basis. The approved budgets of the **Norway-Vulcan Area School District** were adopted at the activity level. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

The total actual 2005-2006 expenditures for the following activities (cost centers) exceeded the amended budget allocations by a total of \$ 43,744, contrary to the provisions of Section 17, of Public Act 621 of 1978, the "Uniform Budgeting and Accounting Act".

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

**Excess of Expenditures Over Appropriations in
Budgetary Funds (Continued)**

Budget Violations (Continued)

<u>ACTIVITY (COST CENTER)</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>OVER EXPENDITURES</u>
<u><i>General Fund</i></u>			
Middle School	\$ 1237744	\$ 1234282	\$ 3462
High School	1491578	1486035	5543
Special Education	390263	389467	796
Compensatory Education	114470	104515	9955
Guidance	159637	158723	914
Homeland Security	1334	0	1334
Library	112568	112291	277
Board of Education	64867	63453	1414
Executive Administration	141987	141828	159
Fiscal Services	104901	104822	79
Operation & Maintenance	616606	611387	5219
Transportation	219754	212322	7432
<u><i>Food Service Fund</i></u>	300360	293200	7160

Fund Deficits

At June 30, 2006, the District had no fund deficit in any fund.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 3 – DEPOSITS AND INVESTMENTS

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of the federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the local unit's cash deposits classifies cash according to three levels of risk.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

These three levels of risk are as follows:

Category 1

Deposits which are insured or collateralized with securities held by the District or its agent in the District's name.

Category 2

Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3

Deposits which are not collateralized or insured.

Based on these three levels of risk, the District's cash deposits are classified as follows:

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Totals</u>
Cash and Deposits	\$ 200000	\$ -0-	\$ 3655717	\$ 3855717

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$ 3532355	\$ 323362	\$ 3855717
Investments	<u>0</u>	<u>5512</u>	<u>5512</u>
Total	\$ <u>3532355</u>	\$ <u>328874</u>	\$ <u>3861229</u>

The breakdown between deposits and investments for the School District is as follows:

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits (checking and savings accounts, certificates of deposit)	\$ 3855142
Investment in securities, mutual funds, and similar vehicles	5512
Petty cash/Cash on hand	<u>575</u>
Total	\$ <u>3861229</u>

The deposits of the School District were reflected in the accounts of financial institutions at \$ 3,855,142, of which \$200,000 is covered by federal depository insurance.

Investments are categorized into these categories of credit risk:

Category 1 - Insured or registered, or securities held by the School District or its agent in the School District's name;

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the School District's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the School District's name.

At June 30, 2006, the School District's investment balances were categorized as follows:

<u>Investment Type</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>	<u>Market Value</u>
Stock Funds	\$ 5512	\$ -0-	\$ -0-	\$ 5512	\$ 3010
Total Investments	\$ 5512	\$ -0-	\$ -0-	\$ 5512	\$ 3010

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 4 - RECEIVABLES

Receivables as of year-end for the School District's individual major funds and the non-major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Non-major and Other Funds</u>	<u>Total</u>
Receivables:			
Taxes	\$ 8589	\$ 3953	\$ 12542
Intergovernmental	1028852	2598	1031450
Other	<u>0</u>	<u>0</u>	<u>0</u>
Total Receivables	\$ <u>1037441</u>	\$ <u>6551</u>	\$ <u>1043992</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 4 – RECEIVABLES (CONTINUED)

Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Grant and categorical aid payment not considered available	\$ -0-	\$ -0-
Payments received prior to meeting all eligibility requirements:	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>-0-</u>	\$ <u>-0-</u>

NOTE 5 – CAPITAL ASSETS

Capital asset activity of the School District's governmental activities was as follows:

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 5 – CAPITAL ASSETS (CONTINUED)

	<u>Balance July 01, 2005</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2006</u>
Assets not being depreciated:				
Land	\$ 6000	\$ -0-	\$ -0-	\$ 6000
Capital assets being depreciated:				
Land Improvements	647962	4087	-0-	652049
Building and building improvements	15195742	19641	-0-	15215383
Buses and other vehicles	327000	60878	-0-	387878
Furniture and equipment	<u>742020</u>	<u>12118</u>	<u>-0-</u>	<u>754138</u>
Subtotal	\$ 16912724	\$ 96724	\$ -0-	\$ 17009448
Accumulated Depreciation:				
Land Improvements	209629	32500	-0-	242129
Building and building improvements	\$ 5166925	\$ 308901	\$ -0-	\$ 5475826

(Continued on page 64)

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 5 – CAPITAL ASSETS (CONTINUED)

(Continued from previous page)

	<u>Balance July 01, 2005</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2006</u>
Accumulated Depreciation: (Continued)				
Buses and other vehicles	\$ 247313	\$ 26180	\$ -0-	\$ 273493
Furniture and equipment	<u>445427</u>	<u>75961</u>	<u>-0-</u>	<u>521388</u>
Subtotal	<u>6069294</u>	<u>443542</u>	<u>-0-</u>	<u>6512836</u>
Net capital assets being depreciated	<u>10843430</u>	<u>(346818)</u>	<u>-0-</u>	<u>10496612</u>
Net capital assets	\$ <u>10849430</u>	\$ <u>(346818)</u>	\$ <u>-0-</u>	\$ <u>10502612</u>

Depreciation expense was not charged to activities as the District considers its assets to impact multiple activities and allocation is not practical.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 6 – INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of inter-fund balances is as follows:

Do To/From Other Funds:

The amounts of inter-fund receivables and payables as of June 30, 2006 were as follows:

<u>Fund</u>	<u>Inter-fund Receivable</u>	<u>Inter-fund Payable</u>
General Fund	\$ 10758	\$ -0-
Food Service	-0-	10175
Capital Projects	<u>-0-</u>	<u>583</u>
Totals	\$ <u>10758</u>	\$ <u>10758</u>

Both the Food Service and the Capital Projects Funds report an amount due to the General Fund as result of prior year activities.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 6 – INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Operating Transfers

Inter-fund transfers are the result of legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

During the fiscal year ended June 30, 2006, the District authorized the following transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 0	\$ 165300
Athletic Fund	<u>165300</u>	<u>0</u>
Totals	\$ <u>165300</u>	\$ <u>165300</u>

The General Fund transfers monies each year to support the Athletic program.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 6 – INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Other Financing Sources (Uses)

The transfers of cash between various District funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

NOTE 7 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2006, there was no deferred revenue.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 8 - LONG-TERM DEBT

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General Obligation Bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk obligations.

Long-term obligation activity can be summarized as follows:

Type	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
<u>Serial Bonds</u>				
1999 Issue	\$ 260000	\$ -0-	\$ 50000	\$ 210000
2003 Refunding Bonds	5530000	-0-	475000	5055000
2005 Refunding Bonds	3595000	-0-	-0-	3595000
Michigan School Bond Loan Fund	874677	-0-	-0-	874677
Durant Resolution Package Bonds	34143	-0-	2587	31556
Long-Term Employee Benefits	<u>416063</u>	<u>-0-</u>	<u>9902</u>	<u>406161</u>
Totals	\$ <u>10709883</u>	\$ <u>-0-</u>	\$ <u>537489</u>	\$ <u>10172394</u>

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 8 - LONG-TERM DEBT (CONTINUED)

SERIAL BONDS PAYABLE

The original issue of school bonds (\$7600000) was sold to obtain funds to erect, furnish, and equip additions to the high school, east elementary, and Vulcan schools; remodel and equip the west elementary, Vulcan and high schools; erect covered walkways to connect the high school and east and west elementary schools; improve the high school site, and acquire additional land to expand the Vulcan school site.

Interest rates were 9.0% on bonds maturing (\$725000) by November 01, 1999; 7.0% on bonds maturing (\$1625000) thereafter by November 01 2005; 7.1% on bonds (\$700000) thereafter by November 01, 2007; and 7.2% on bonds maturing (\$3500000) thereafter by November 01, 2017; and 7.25% on bonds maturing (\$1050000) thereafter.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 8 - LONG-TERM DEBT (CONTINUED)

The 1990 issue was refinanced in order to reduce future interest costs, with the issuance of 1993 Refunding Bonds. Then, in 2003, the District issued 2003 Refunding Bonds, thus reducing interest costs again.

2003 REFUNDING BONDS

On March 13, 2003, the Norway-Vulcan Area Schools issued \$ 6,465,000 in the form of 2003 Refunding Bonds (General Obligation-Unlimited Tax) for the purpose of refunding a portion of a prior bond issue of the School District. The bonds pledge the full faith and credit of the School District for payment of the principal and interest thereon and will be payable from ad valorem taxes, which may be levied on all taxable property in the School without limitation as to rate or amount. The School District has designated the bonds as "Qualified Tax Exempt Obligations" as described in Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 8 - LONG-TERM DEBT (CONTINUED)

2003 REFUNDING BONDS (Continued)

The National City Bank of MI/IL serves as the Transfer and Escrow agent for the bond issue.

Following is the schedule of principal and interest payments required to amortize the debt:

<u>Fiscal Year</u>	<u>Interest November 01</u>	<u>Principal May 01</u>	<u>Interest May 01</u>	<u>Totals</u>
2006-07	\$ 86800	\$ 470000	\$ 86800	\$ 643600
2007-08	81513	455000	81512	618025
2008-09	75484	440000	75484	590968

(Continued on page 72)

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 8 - LONG-TERM DEBT (CONTINUED)

2003 REFUNDING BONDS (Continued)

(Continued from previous page)

<u>Fiscal Year</u>	<u>Interest November 01</u>	<u>Principal May 01</u>	<u>Interest May 01</u>	<u>Totals</u>
2009-10	\$ 68884	\$ 430000	\$ 68884	\$ 567768
2010-11	61896	415000	61895	538791
2011-12	54737	405000	54738	514475
2012-13	47549	400000	47549	495098
2013-14	40249	385000	40249	465498
2014-15	33030	375000	33030	441060
2015-16	25905	360000	25905	411810
2016-17	18795	355000	18795	392590
2017-18	11695	340000	11695	363390
2018-19	<u>4725</u>	<u>225000</u>	<u>4725</u>	<u>233450</u>
	\$ 611262	\$ 5055000	\$ 611261	\$ 6277523

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 8 - LONG-TERM DEBT (CONTINUED)

1999 SCHOOL BUILDING AND SITE BONDS

On October 27, 1999, the **Norway-Vulcan Area Schools** issued \$ 3,810,000 in general obligation-unlimited tax bonds.

The Bonds were authorized at an election on September 27, 1999, for the purpose of erecting, furnishing, and equipping an addition (including an auditorium and gymnasium) and partially remodeling, refurnishing, and re-equipping the Norway-Vulcan School; acquiring and installing educational technology systems; and developing and improving the site. The Bonds pledge the full faith, credit and resources of the School District for payment of the principal and interest thereon, and will be payable from ad valorem taxes, which may be levied without limitation as to rate or amount as provided by Article IX, Section 6, and Article IX, Section 16, of the Michigan Constitution of 1963.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 8 - LONG-TERM DEBT (CONTINUED)

**1999 SCHOOL BUILDING AND SITE BONDS
(Continued)**

The schedule of remaining principal and interest requirements on the 1999 Building and Site Bonds are as follows:

	<u>May 01</u>		<u>November 01</u>			
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Rate</u>	
2006	\$	\$	\$ 5382.50	\$ 5382.50	5.00%	
2007	5382.50	60000.00	3882.50	69265.00	5.00%	
2008	3882.50	70000.00	2080.00	75962.50	5.015%	
2009	<u>2080.00</u>	<u>80000.00</u>	<u>.00</u>	<u>82080.00</u>	5.20%	
Total	\$ <u>11345.00</u>	\$ <u>210000.00</u>	\$ <u>11345.00</u>	\$ <u>232690.00</u>		

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 8 - LONG-TERM DEBT (CONTINUED)

**1999 SCHOOL BUILDING AND SITE BONDS
(Continued)**

The non-refunding portion is to be paid by the School District. The payments of principal and interest began May 01, 2005 and will end on May 01, 2009.

The bonds to be refunded and paid by the escrow agent totaled \$ 3,315,000 for principal and \$ 2,752,360 for interest. The interest began on May 01, 2005 and principal will begin on May 01, 2010.

2005 REFUNDING BONDS

On March 15, 2005, the **Norway-Vulcan Area School District** issued \$ 3,595,000 in the form of 2005 Refunding Bonds (General Obligation-Unlimited Tax) for the purpose of refunding a portion of the School District's outstanding 1999 School Building and Site Bonds.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 8 - LONG-TERM DEBT (CONTINUED)

2005 REFUNDING BONDS (Continued)

The bonds pledge the full faith and credit of the School District for payment of the principal and interest thereon and will be payable from ad valorem taxes, which may be levied on all taxable property in the School District without limitation as to rate or amount. The School District has designated the bonds as "Qualified Tax Exempt Obligations" as described in Section 265(b) (3) (13) of the Internal Revenue code of 1986 as amended.

The Standard Federal-Corporate and Institutional Trust, a division of LaSalle Bank National Association is the Transfer and Escrow agent for the bond issue.

Following is the schedule of principal and interest payments required to amortize the debt:

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 8 - LONG-TERM DEBT (CONTINUED)

2005 REFUNDING BONDS (Continued)

<u>Fiscal Year</u>	<u>Interest November 01</u>	<u>Principal May 01</u>	<u>Interest May 01</u>	<u>Totals</u>
2006-07	\$ 71256.25	\$ 25000.00	\$ 71256.25	\$ 167512.50
2007-08	70881.25	25000.00	70881.25	166762.50
2008-09	70506.25	25000.00	70506.25	166012.50
2009-10	70131.25	120000.00	70131.25	260262.50
2010-11	67731.25	130000.00	67731.25	265462.50
2012-12	65131.25	145000.00	65131.25	275262.50
2012-13	62593.75	160000.00	62593.75	285187.50
2013-14	59393.75	180000.00	59393.75	298787.50
2014-15	56243.75	195000.00	56243.75	307487.50
2015-16	52831.25	210000.00	52831.25	315662.50
2016-17	48631.25	220000.00	52831.25	317262.50
2017-18	44231.25	235000.00	44231.25	323462.50
2018-19	39531.25	275000.00	39531.25	354062.50
2019-20	34031.25	275000.00	34031.25	343062.50
2020-21	28531.25	275000.00	28531.25	332062.50
2021-22	22962.50	275000.00	22962.50	320925.00
2022-23	17325.00	275000.00	17325.00	309650.00
2023-24	11618.75	275000.00	11618.75	298237.50
2024-25	<u>5843.75</u>	<u>275000.00</u>	<u>5843.75</u>	<u>286687.50</u>
Totals	\$ <u>899406.25</u>	\$ <u>3595000.00</u>	\$ <u>899406.25</u>	\$ <u>5393812.50</u>

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 8 - LONG-TERM DEBT (CONTINUED)

SCHOOL BOND LOAN FUND

Pursuant to Section 16 of Article IX of Michigan Constitution of 1963, and Act 108, Public Acts of 1961, as amended, the School District has borrowed funds from the School Bond Loan fund in the State Treasury for the purpose of meeting the payment of principal and interest on its qualified school bonds.

In accordance with its bond ordinance, the school will borrow annually from the School Bond Loan Fund, until millage is sufficient to retire the current principal and interest on Issues Number 1 and 3.

Currently, the District has borrowed a total of \$874,677 from the School Bond Loan Fund.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 8 - LONG-TERM DEBT (CONTINUED)

SCHOOL BOND LOAN FUND (Continued)

In accordance with Section 9 of Act 108 of Public Acts of 1961, as amended, the rate of interest will represent the average interest rate (computed to the nearest one-eighth of one percent) paid by the State on obligations issued pursuant to Section 16 of Article IX of the State Constitution of 1963.

DURANT SETTLEMENT

The Durant class-action lawsuit resulted in a judgment of \$212 million against the State of Michigan. The State mandated specific special education programs, but failed to compensate local districts for the increased costs of the mandated programs.

The local school districts that did not participate in the class-action lawsuit were offered a settlement in lieu of future litigation.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 8 - LONG-TERM DEBT (CONTINUED)

DURANT SETTLEMENT (Continued)

The Districts with settlement amounts greater than or equal to \$ 75,000 were to receive one-half of the settlement over a period of ten years beginning November 15, 1998.

Restrictions on the use of these funds are stated in 11f(6):school buses, electronic instructional material and software, school security, textbooks, technology, infrastructure or infrastructure improvement, training for technology, or to reduce or eliminate voter-approved debt that was issued prior to 11/19/97.

The District opted to participate in a bonding program, whereby the District would receive bond proceeds equal to the other half of the settlement amount (\$53,443). The bonds were issued through the Michigan Municipal Bond Authority as School Loan Revenue Bonds, Series 1998.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 8 - LONG-TERM DEBT (CONTINUED)

DURANT SETTLEMENT (Continued)

The proceeds of the bonds were to be used for capital expenditures and to pay costs of bond issuance, and were not to be used for maintenance cost.

The Durant bonds are considered to be a legal obligation of the District and are recorded in the District's General Long-term Debt. The annual State of Michigan appropriation is the only revenue source for making the annual debt service payment on the bonds. If the legislature fails to appropriate the funds, the District is under no obligation for payment.

SCHOOL IMPROVEMENT BOND, SERIES 1998

Repayment of the Principal Amount must be made according to the following schedule until the full Principal Amount is repaid.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 8 - LONG-TERM DEBT (CONTINUED)

SCHOOL IMPROVEMENT BOND, SERIES 1998
(Continued)

In the event that the Authority elects to adjust the interest rates payable on the bond, the Authority may prepare and substitute a new payment schedule reflecting such adjustment, a copy of which will be sent to the School District and to the Authority's Depository.

<u>Payment Dates Due on May 15</u>	<u>Amount of Principal Installment</u>	<u>Interest</u>	<u>Total Principal Installment and Interest Payable</u>
2007	\$ 12361.24	\$ 5348.11	\$ 17709.35
2008	2839.04	913.92	3752.96

(Continued on page 83)

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 8 - LONG-TERM DEBT (CONTINUED)

SCHOOL IMPROVEMENT BOND, SERIES 1998
(Continued)

(Continued from previous page)

<u>Payment Dates Due on May 15</u>	<u>Amount of Principal Installment</u>	<u>Interest</u>	<u>Total Principal Installment and Interest Payable</u>
2009	\$ 2974.25	\$ 778.75	\$ 3753.00
2010	3115.72	637.13	3752.85
2011	3264.12	488.78	3752.90
2012	3419.35	333.36	3752.71
2013	<u>3582.12</u>	<u>170.56</u>	<u>3752.68</u>
Total	\$ <u>31555.84</u>	\$ <u>8670.61</u>	\$ <u>40226.45</u>

Total Settlement Amount of \$ 106885.00

Bonded Settlement Amount of \$ 53442.50

Annual Interest Rate is 4.761353%

Average Life of Bonds is 6.783 years

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 8 - LONG-TERM DEBT (CONTINUED)

Long-Term Employee Benefits

Long-Term Sick Leave Payable \$ 406161

Total Long-Term Employee
Benefits Payable \$ 406161

NOTE 9 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries(workers' compensation), as well as medical benefits provided to employees. The School District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the School District. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three years.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 10 - EMPLOYEE RETIREMENT SYSTEM-DEFINED BENEFIT PLAN

The School District contributes to the Michigan Public School Employees' Retirement system (MPERS), a cost-sharing multiple-employer defined benefit pension administered by the Michigan Department of Management and Budget, Office of Retirement Systems.

MPERS provides retirement, survivor and disability benefits to public school employees. Eligibility and benefit provisions are governed under Public Act 136 of 1945, re-codified and currently operating under the provisions of Public Act 300 of 1980, as amended. MPERS issues a publicly available financial report that includes financial statements and required supplementary information. The annual report may be obtained by calling (517) 322-5103 or by writing to:

**Department of Management and Budget
Office of Retirement Systems
P.O. Box 30673
Lansing, Michigan 48909-8103**

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 10 - EMPLOYEE RETIREMENT SYSTEM-DEFINED BENEFIT PLAN

The School District is required by state statute to contribute 14.87% of covered payroll from July 01, 2005 through September 30, 2005, increasing to 16.34% from October 01, 2005 through June 30, 2006. Contributions to MPSERS are determined on an actuarial basis using the entry age normal actuarial cost method. Contribution requirements of plan members including the School District are established and may be amended only by state statute.

The School District's contributions to MPSERS for the year ending June 30, 2006, 2005, and 2004, were \$627,236; \$ 590,137; and \$ 529,691, respectively.

Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 10 - EMPLOYEE RETIREMENT SYSTEM-DEFINED BENEFIT PLAN

The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989, contribute at the following graduated permanently fixed contribution rate: 3% of the first \$ 5,000; 3.6% of \$5,001 through \$ 15,000; 4.3% of all wages over \$ 15,000.

Basic Plan members make no contributions. Contributions collected and remitted by the School District on behalf of MIP members for the years ending June 30, 2006, 2005, and 2004 were \$ 105,809; \$ 108,178; and \$106,951, respectively, equal to the required contributions for the year.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 11 - POST-EMPLOYMENT BENEFITS

In addition to the pension benefits, MPSERS provides comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of the retiree. The portion provided by MPSERS is factored into the pension contribution rate.

NOTE 12 - RELATED PARTY TRANSACTIONS

Related parties exist when there is a relationship that offers the potential for transactions at less than arm's length, favorable treatment, or the ability to influence the outcome of events differently from that which might result in the absence of that relationship.

Financial statements must include disclosure of material related party transactions, other than compensation arrangements, expense allowances and similar items in the ordinary course of business.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 12 - RELATED PARTY TRANSACTIONS (CONTINUED)

However, disclosure of transactions that are eliminated in the preparation of combined financial statements is not required in those statements.

On this basis, there were no related party transactions reported in the financial statements.

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events have a material effect on the financial statements which requires adjustment or disclosure. They relate to events that provide additional evidence with respect to conditions that existed at the date of the balance sheet and events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 13 – SUBSEQUENT EVENTS

At fiscal year ended June 30, 2006, there were no other subsequent events that would have a significant affect on the District's operations.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies.

Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of money received may be required and the collectibility of any related receivable at June 30, 2006 may be impaired.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

June 30, 2006

NOTE 14 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

In addition, the District is involved with pending litigation involving an employment issue arising from the termination of a probationary teacher.

Although the outcome of this matter has not yet been fully resolved, there exists a possibility that the District could incur costs approximating \$ 115,000 in the resolution of this matter. Because of the uncertainty of the status of this claim, no liability has been recorded in the financial statements of the District.

REQUIRED SUPPLEMENTAL INFORMATION

NORWAY-VULCAN AREA SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

YEAR ENDED JUNE 30, 2006

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL
<u>REVENUE</u>			
Local Sources	\$ 961,114	\$ 886,395	\$ 1,026,033
State Sources	5,654,851	5,660,304	5,642,877
Federal Sources	150,769	163,129	189,144
Interdistrict and Other Sources	<u>22,716</u>	<u>6,716</u>	<u>28,644</u>
TOTAL REVENUE	\$ 6,789,450	\$ 6,716,544	\$ 6,886,698
<u>EXPENDITURES - CURRENT</u>			
<i>Instruction :</i>			
Basic Programs	4,099,211	4,063,198	4,066,763
Added Needs	637,340	608,948	616,712
Community Education	50,900	73,987	73,625
<i>Supporting Services :</i>			
Pupil	230,271	231,390	233,304
Instructional Staff	187,975	174,895	167,199
General Administration	206,271	205,281	206,854
School Administration	464,846	456,559	456,131
Business Services	119,218	104,822	104,901
Operation and Maintenance	607,442	611,387	616,606
Transportation	215,839	212,322	219,754
Other Supporting Services	-	-	-
Intergovernmental Payments	<u>48,000</u>	<u>28,047</u>	<u>28,047</u>
TOTAL EXPENDITURES	\$ 6,867,313	\$ 6,770,836	\$ 6,789,896
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	-	-	-
Operating Transfers Out	165,000	165,300	165,300
NET CHANGE IN FUND BALANCE	(242,863)	(219,592)	(68,498)
FUND BALANCE - BEGINNING OF YEAR	<u>2,503,625</u>	<u>2,503,625</u>	<u>2,503,625</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 2,260,762</u></u>	<u><u>\$ 2,284,033</u></u>	<u><u>\$ 2,435,127</u></u>

The notes to the financial statements are an integral part of this report.

OTHER SUPPLEMENTAL INFORMATION

NORWAY-VULCAN AREA SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2006

	<u>Special Revenue Funds</u>			
	<u>Food Service</u>	<u>Bookstore</u>	<u>Athletics</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and Investments (Note 3)	\$ 10,531	\$ 3,442	\$ 1,596	\$ 15,569
Accounts Receivable (State)	2,598			2,598
Inventories	<u>2,147</u>	<u>375</u>	<u>-</u>	<u>2,522</u>
TOTAL ASSETS	<u>\$ 15,276</u>	<u>\$ 3,817</u>	<u>\$ 1,596</u>	<u>\$ 20,689</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Due to Other Funds	<u>10,175</u>	<u>-</u>	<u>-</u>	<u>10,175</u>
TOTAL LIABILITIES	10,175	-	-	10,175
<u>FUND BALANCES</u>				
Reserved for Food Services	5,101	-	-	5,101
Reserved for Bookstore Activities		3,817		3,817
Reserved for Athletics	<u>-</u>	<u>-</u>	<u>1,596</u>	<u>1,596</u>
TOTAL FUND BALANCES	5,101	3,817	1,596	10,514
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 15,276</u>	<u>\$ 3,817</u>	<u>\$ 1,596</u>	<u>\$ 20,689</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND
BALANCES - NON-MAJOR GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2006

	<u>Special Revenue Funds</u>			
	<u>Food Service</u>	<u>Bookstore</u>	<u>Athletics</u>	<u>Total</u>
<u>Revenue</u>				
Local Revenue	\$ 167,797	\$ 1,086	\$ 39,941	\$ 208,824
State Revenue	11,795			11,795
Federal Revenue	<u>117,765</u>	<u></u>	<u></u>	<u>117,765</u>
Total Revenue	\$ 297,357	\$ 1,086	\$ 39,941	\$ 338,384
<u>Expenditures</u>				
<u>Current:</u>				
Salaries	83,259	-	91,549	174,808
Insurance	13,872		8,387	22,259
Fringe Benefits	19,668		20,550	40,218
Purchased Services	-		47,293	47,293
Supplies and Materials	177,310	861	25,131	203,302
Capital Outlay	1,026		-	1,026
Other	<u>5,225</u>	<u></u>	<u>11,865</u>	<u>17,090</u>
Total Expenditures	300,360	861	204,775	505,996
Excess (Deficiency) of Revenues Over Expenditures	(3,003)	225	(164,834)	(167,612)
<u>Other Financing Sources (Uses)</u>				
Operating transfers in	-	-	165,300	165,300
Operating transfers out	<u>-</u>	<u>-</u>	<u></u>	<u></u>
Total Other Financing Sources (Uses)	-	-	165,300	165,300
Net Change in Fund Balances	(3,003)	225	466	(2,312)
FUND BALANCE - BEGINNING OF YEAR	<u>8,104</u>	<u>3,592</u>	<u>1,130</u>	<u>12,826</u>
FUND BALANCE - END OF YEAR	<u>\$ 5,101</u>	<u>\$ 3,817</u>	<u>\$ 1,596</u>	<u>\$ 10,514</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

SPECIAL REVENUE FUNDS – COMBINING BALANCE SHEET

JUNE 30, 2006

	<u>FOOD SERVICES FUND</u>	<u>BOOKSTORE ACCOUNT</u>	<u>ATHLETIC ACTIVITY FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>				
Cash and Deposits	\$ 10,531	\$ 3,442	\$ 1,596	\$ 15,569
Inventory	2,147	375	-	2,522
Accounts Receivable, State	2,598	-	-	2,598
TOTAL ASSETS	<u>15,276</u>	<u>3,817</u>	<u>1,596</u>	<u>\$ 20,689</u>
<u>LIABILITIES AND FUND EQUITY</u>				
<u>LIABILITIES</u>				
Due to Other Funds	10,175	-	-	10,175
TOTAL LIABILITIES	10,175	-	-	10,175
<u>FUND EQUITY</u>				
Fund Balance - Unreserved	5,101	3,817	1,596	10,514
TOTAL FUND EQUITY	5,101	3,817	1,596	10,514
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 15,276</u>	<u>\$ 3,817</u>	<u>\$ 1,596</u>	<u>\$ 20,689</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**SPECIAL REVENUE FUNDS - COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES**

JUNE 30, 2006

	FOOD SERVICES FUND	BOOKSTORE ACCOUNT	ATHLETIC ACTIVITY FUND	TOTAL
<u>REVENUES</u>				
Sales	\$ 167,724	\$ 1,086	\$ 39,841	\$ 208,651
State Sources	11,795			11,795
Federal Sources	117,765			117,765
Interest	73		100	173
TOTAL REVENUE	297,357	1,086	39,941	338,384
OTHER FINANCING SOURCES				
Transfers In	-	-	165,300	165,300
TOTAL REVENUES AND OTHER FINANCING SOURCES	297,357	1,086	205,241	503,684
<u>EXPENDITURES</u>				
Food Services	300,360	-	-	300,360
Bookstore		861	-	861
Athletic Activities		-	204,775	204,775
TOTAL EXPENDITURES	300,360	861	204,775	505,996
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(3,003)	225	466	(2,312)
FUND BALANCE, JULY 1	8,104	3,592	1,130	12,826
FUND BALANCE, JUNE 30	\$ 5,101	\$ 3,817	\$ 1,596	\$ 10,514

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

GENERAL FUND - COMPARATIVE BALANCE SHEET

JUNE 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash and Deposits	\$ 2,028,789	\$ 1,896,206
Taxes Receivable	8,589	14,710
Accounts Receivable :		
Federal	-	118,236
State	1,028,852	1,037,386
Other	-	-
Due From Other Funds	<u>10,758</u>	<u>1,784</u>
TOTAL ASSETS	<u>\$ 3,076,988</u>	<u>\$ 3,068,322</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>LIABILITIES</u>		
Accounts Payable	22,864	18,965
Salaries Payable	403,583	346,367
Accrued Benefits	<u>215,414</u>	<u>199,365</u>
TOTAL LIABILITIES	641,861	564,697
<u>FUND EQUITY</u>		
Fund Balance, Unreserved & Undesignated	<u>2,435,127</u>	<u>2,503,625</u>
TOTAL FUND EQUITY	2,435,127	2,503,625
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 3,076,988</u>	<u>\$ 3,068,322</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

GENERAL FUND - SUPPLEMENTAL SCHEDULE OF REVENUE - ACTUAL COMPARED TO BUDGET

FISCAL YEAR ENDED JUNE 30, 2006
(With Comparative Totals for Fiscal Year Ended June 30, 2005)

	FISCAL YEAR ENDED JUNE 30, 2006			FISCAL YEAR ENDED 6/30/05
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<u>REVENUES</u>				
<u>LOCAL SOURCES</u>				
Current Tax Levy	\$ 734,139	\$ -	\$ -	\$ 715,402
Penalties and Interest on Taxes	9,931			3,262
Other Taxes	73,526			-
Tuition	62,764			33,872
Interest Income	60,539			33,043
Other Local Revenue	85,134	-	-	49,327
 TOTAL REVENUES FROM LOCAL SOURCES	 \$ 1,026,033	 \$ 886,395	 \$ 139,638	 \$ 834,906
 <u>STATE SOURCES</u>				
State School Aid	5,424,407	-	-	5,476,143
Special Education	101,497			110,446
Gifted and Talented	-			13
At Risk	111,629			117,886
Driver Education	-			8,648
Vocational Ed	-			541
State Aid Restricted/Durant	5,344			5,344
Advanced & Acc Learning	-	-	-	132
 TOTAL REVENUES FROM STATE SOURCES	 \$ 5,642,877	 \$ 5,660,304	 \$ (17,427)	 \$5,719,153
 <u>FEDERAL SOURCES</u>				
Title I	125,164	-	-	81,233
Title II A	48,873			32,859
Title V	5,549			4,143
Technology Literacy Challenge	4,584			-
Handicapped Preschool & School Progr	3,640			-
Homeland Security Grant	1,334	-	-	-
 TOTAL REVENUES FROM FEDERAL SOURCES	 \$ 189,144	 \$ 163,129	 \$ 26,015	 \$ 118,235

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**GENERAL FUND - SUPPLEMENTAL SCHEDULE OF REVENUES – ACTUAL COMPARED TO
BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2006
(With Comparative Totals for Fiscal Year Ended June 30, 2005)

	<u>FISCAL YEAR ENDED JUNE 30, 2006</u>			<u>FISCAL YEAR ENDED 6/30/2005</u>
	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	
<u>OTHER FINANCING SOURCES</u>				
Payments From Other				
Governmental Units :				
Federal Sources	\$ 20,534	\$ -	\$ -	\$ 19,969
State Sources	8,110			7,524
Other Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
 TOTAL OTHER FINANCING SOURCES	 \$ 28,644	 \$ 6,716	 \$ 21,928	 \$ 29,493
 TOTAL REVENUES AND OTHER FINANCING SOURCES	 <u>\$ 6,886,698</u>	 <u>\$ 6,716,544</u>	 <u>\$ 170,154</u>	 <u>\$6,701,787</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**GENERAL FUND - SUPPLEMENTAL SCHEDULE OF EXPENDITURES – ACTUAL
COMPARED TO BUDGET**

FISCAL YEAR ENDED JUNE 30, 2006
(With Comparative Totals for Fiscal Year Ended June 30, 2005)

INSTRUCTION	FISCAL YEAR ENDED JUNE 30, 2006			FISCAL YEAR ENDED 6/30/2005
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
BASIC PROGRAMS				
<u>Elementary</u>				
Professional Salaries	\$ 840,858	\$ -	\$ -	\$ 809,074
Nonprofessional Salaries	22,450			22,517
Insurance	210,917			197,701
FICA/Retirement	215,638			184,283
Other Benefits	2,029			457
Purchased Services	10,193			8,364
Supplies and Materials	32,773			36,155
Other	583	-	-	1,601
Total Elementary	\$ 1,335,441	\$ 1,340,881	\$ 5,440	\$1,260,152
<u>Middle School</u>				
Professional Salaries	802,567	-	-	853,438
Insurance	208,377			223,114
FICA/Retirement	192,985			190,151
Other Benefits	4,461			469
Purchased Services	5,061			4,417
Supplies and Materials	22,424			26,347
Capital Outlay	-			1,090
Other	1,869	-	-	386
Total Middle School	1,237,744	1,234,282	(3,462)	1,299,412
<u>High School</u>				
Professional Salaries	935,117	-	-	890,791
Nonprofessional Salaries	13,592			14,152
Insurance	247,675			231,953
FICA/Retirement	225,033			200,944
Other Benefits	1,093			498
Purchased Services	18,624			18,949
Supplies and Materials	45,902			63,745
Capital Outlay	-			11,720
Other	4,542	-	-	2,208
Total High School	\$ 1,491,578	\$ 1,486,035	\$ (5,543)	\$1,434,960

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**GENERAL FUND - SUPPLEMENTAL SCHEDULE OF EXPENDITURES – ACTUAL
COMPARED TO BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2006
(With Comparative Totals for Fiscal Year Ended June 30, 2005)

	FISCAL YEAR ENDED JUNE 30, 2006			FISCAL YEAR ENDED 6/30/2005
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<u>INSTRUCTION</u> (Continued)				
BASIC PROGRAMS (Continued)				
<u>Non Public Programs - Shared Time</u>				
Professional Salaries	\$ -	\$ -	\$ -	\$ 69,939
FICA/Retirement				15,337
Other Benefits				38
Purchased Services	2,000			3,450
Supplies and Materials		-	-	4,501
Total Non Public Programs - Shared Time	2,000	2,000	-	93,265
TOTAL BASIC PROGRAMS	\$ 4,066,763	\$ 4,063,198	\$ (3,565)	\$4,087,789
ADDED NEEDS				
<u>Special Education</u>				
Professional Salaries	234,387	-	-	215,219
Nonprofessional Salaries	1,609			30,561
Insurance	60,897			60,633
FICA/Retirement	56,309			54,963
Other Benefits	255			135
Purchased Services	33,852			33,852
Supplies and Materials	2,125			2,868
Other	829	-	-	1,634
Total Special Education	390,263	389,467	(796)	399,865
<u>Gifted and Talented</u>				
Supplies and Materials	-	-	-	127
Total Gifted and Talented	\$ -	\$ 250	\$ 250	\$ 127

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**GENERAL FUND - SUPPLEMENTAL SCHEDULE OF EXPENDITURES – ACTUAL
COMPARED TO BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2006
(With Comparative Totals for Fiscal Year Ended June 30, 2005)

INSTRUCTION (Continued) ADDED NEEDS (Continued) <u>Compensatory Education</u> <u>Title I</u>	FISCAL YEAR ENDED JUNE 30, 2006			FISCAL YEAR ENDED 6/30/2005
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
Professional Salaries	\$ 1,556	\$ -	\$ -	\$ -
Nonprofessional Salaries	57,639			51,583
Insurance	11,816			6,937
FICA/Retirement	14,110			11,953
Other Benefits	1,905			92
Purchased Services	-			1,490
Supplies and Materials	20,766			8,234
Capital Outlay	4,276			-
Other	2,402	-	-	944
Total Compensatory Education	114,470	104,515	(9,955)	81,233
 <u>At Risk Program</u>				
Professional Salaries	82,519	-	-	76,842
Insurance	10,456			20,890
FICA/Retirement	19,004			17,117
Total At Risk Program	111,979	114,716	2,737	114,849
 TOTAL ADDED NEEDS	\$ 616,712	\$ 608,948	\$ (7,764)	\$ 596,074
 COMMUNITY EDUCATION				
<u>Children's Enrichment</u>				
Professional Salaries	48,882	-	-	38,385
Nonprofessional Salaries	5,617			8,700
Insurance	73			-
FICA/Retirement	12,863			9,834
Purchased Services	1,137			1,031
Supplies and Materials	4,385			2,263
Other	668	-	-	2,986
Total Children's Enrichment	73,625	73,987	362	63,199
TOTAL COMMUNITY EDUCATION	\$ 73,625	\$ 73,987	\$ 362	\$ 63,199
 TOTAL INSTRUCTION	\$ 4,757,100	\$ 4,746,133	\$ (10,967)	\$4,747,062

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**GENERAL FUND - SUPPLEMENTAL SCHEDULE OF EXPENDITURES – ACTUAL
COMPARED TO BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2006
(With Comparative Totals for Fiscal Year Ended June 30, 2005)

	FISCAL YEAR ENDED JUNE 30, 2006			FISCAL YEAR ENDED 6/30/2005
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<u>SUPPORTING SERVICES</u>				
<u>STUDENT SERVICES</u>				
<u>Guidance</u>				
Professional Salaries	\$ 91,349	\$ -	\$ -	\$ 87,520
Nonprofessional Salaries	8,853			8,341
Insurance	35,530			32,722
FICA/Retirement	23,788			21,386
Other Benefits	117			53
Other		-	-	28
Total Guidance	159,637	158,723	(914)	150,050
<u>Health</u>				
Professional Salaries	21,129	-	-	20,614
Insurance	500			750
FICA/Retirement	5,017			4,618
Supplies and Materials	284			260
Other	-	-	-	90
Total Health	26,930	26,931	1	26,332
<u>Speech</u>				
Purchased Services	41,494	-		21,372
Total Speech	41,494	41,494	-	21,372
<u>Homeland Security</u>				
Capital Outlay	1,334	-	-	-
Total Homeland Security	1,334	-	(1,334)	-
<u>Other Student Services</u>				
Purchased Services	157	-	-	2,726
Supplies and Materials	45			257
Other	3,707			89
Total Other Student Services	3,909	4,242	333	3,072
TOTAL STUDENT SERVICES	\$ 233,304	\$ 231,390	\$ (1,914)	\$ 200,826

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**GENERAL FUND - SUPPLEMENTAL SCHEDULE OF EXPENDITURES – ACTUAL
COMPARED TO BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2006
(With Comparative Totals for Fiscal Year Ended June 30, 2005)

SUPPORTING SERVICES (Continued) INSTRUCTIONAL STAFF	FISCAL YEAR ENDED JUNE 30, 2006			FISCAL YEAR ENDED 6/30/2005
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<u>Library</u>				
Professional Salaries	\$ 55,101	\$ -	\$ -	\$ 51,784
Nonprofessional Salaries	11,765			11,879
Insurance	18,840			17,737
FICA/Retirement	15,896			14,233
Other Benefits	78			35
Purchased Services	-			1,014
Supplies and Materials	9,370			11,569
Other	1,518	-	-	-
Total Library	112,568	112,291	(277)	108,251
<u>Title II A</u>				
Professional Salaries	28,111	-	-	18,097
Insurance	5,468			6,880
FICA/Retirement	6,742			5,737
Other Benefits	26			10
Purchased Services	4,853			1,810
Supplies and Materials	3,497			325
Other	340	-	-	-
Total Title II A	49,037	55,308	6,271	32,859
<u>Title V</u>				
Purchased Services	-	-	-	832
Supplies and Materials	1,996			168
Capital Outlay	3,598	-	-	3,143
Total Title V	5,594	7,296	1,702	4,143
TOTAL INSTRUCTIONAL STAFF	\$ 167,199	\$ 174,895	\$ 7,696	\$ 145,253

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**GENERAL FUND - SUPPLEMENTAL SCHEDULE OF EXPENDITURES – ACTUAL
COMPARED TO BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2006
(With Comparative Totals for Fiscal Year Ended June 30, 2005)

	FISCAL YEAR ENDED JUNE 30, 2006			FISCAL YEAR ENDED 6/30/2005
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<u>SUPPORTING SERVICES (Continued)</u>				
GENERAL ADMINISTRATION				
<u>Board of Education</u>				
Purchased Services	\$ 55,550	\$ -	\$ -	\$ 32,770
Other	9,317			9,285
Total Board of Education	64,867	63,453	(1,414)	42,055
<u>Executive Administration</u>				
Professional Salaries	94,000	-	-	91,230
Nonprofessional Salaries	-			13,163
Insurance	15,451			20,467
FICA/Retirement	22,013			22,475
Purchased Services	2,731			621
Supplies and Materials	2,488			3,422
Other	5,304	-	-	5,835
Total Executive Administration	141,987	141,828	(159)	157,213
TOTAL GENERAL ADMINISTRATION	\$ 206,854	\$ 205,281	\$ (1,573)	\$ 199,268
 SCHOOL ADMINISTRATION				
<u>Office of the Principal</u>				
Professional Salaries	144,140	-	-	214,545
Nonprofessional Salaries	90,622			88,005
Insurance	72,560			85,195
FICA/Retirement	54,976			66,881
Purchased Services	89,975			-
Supplies and Materials	2,115			2,767
Other	1,743	-	-	1,662
Total Office of the Principal	456,131	456,559	428	459,055
TOTAL SCHOOL ADMINISTRATION	\$ 456,131	\$ 456,559	\$ 428	\$ 459,055

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**GENERAL FUND - SUPPLEMENTAL SCHEDULE OF EXPENDITURES – ACTUAL
COMPARED TO BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2006
(With Comparative Totals for Fiscal Year Ended June 30, 2005)

	FISCAL YEAR ENDED JUNE 30, 2006			FISCAL YEAR ENDED 6/30/2005
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<u>SUPPORTING SERVICES (Continued)</u>				
BUSINESS SERVICES				
<u>Fiscal Services</u>				
Nonprofessional Services	\$ 53,808	\$ -	\$ -	\$ 53,926
Insurance	20,613			22,338
FICA/Retirement	12,810			11,733
Purchased Services	-			10,512
Supplies and Materials	348			10,065
Other	17,322	-	-	14,859
TOTAL BUSINESS SERVICES	104,901	104,822	(79)	123,433
OPERATION AND MAINTENANCE				
Nonprofessional Salaries	169,859	-	-	179,426
Insurance	101,602			108,725
FICA/Retirement	39,257			38,453
Other Benefits	203			4,423
Purchased Services	264,560			227,048
Supplies and Materials	37,070			28,194
Capital Outlay	2,884			17,758
Other	1,171	-	-	2,792
TOTAL OPERATION AND MAINTENANCE	616,606	611,387	(5,219)	606,819
TRANSPORTATION				
Nonprofessional Salaries	37,517	-	-	37,539
Insurance	3,354			3,372
FICA/Retirement	8,673			8,517
Other Benefits	44			24
Purchased Services	142,470			127,828
Supplies and Materials	25,896			13,299
Other	1,800	-	-	2,658
TOTAL TRANSPORTATION	219,754	212,322	(7,432)	193,237
TOTAL SUPPORTING SERVICES	\$ 2,004,749	\$ 1,996,656	\$ (8,093)	\$1,927,891
TOTAL EXPENDITURES	\$ 6,761,849	\$ 6,742,789	\$ (19,060)	\$6,674,953

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**GENERAL FUND - SUPPLEMENTAL SCHEDULE OF EXPENDITURES – ACTUAL
COMPARED TO BUDGET
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2006
(With Comparative Totals for Fiscal Year Ended June 30, 2005)

	FISCAL YEAR ENDED JUNE 30, 2006			FISCAL YEAR ENDED 6/30/2005
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<u>OTHER FINANCING USES</u>				
<u>Fund Modifications</u>				
Transfer To Athletics	\$ 165,300	\$ 165,300	\$ -	\$ 165,000
Total Fund Modifications	165,300	165,300	-	165,000
<u>Payment To Other Governmental Units</u>				
Tuition	15,870	15,870	-	14,936
Consortium Charges	12,177	12,177	-	-
Total Payment To Other Governmental Units	28,047	28,047	-	14,936
 TOTAL OTHER FINANCING USES	 \$ 193,347	 \$ 193,347	 \$ -	 \$ 179,936
 TOTAL EXPENDITURES AND OTHER FINANCING USES	 \$ 6,955,196	 \$ 6,936,136	 \$ (19,060)	 \$6,854,889

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

SPECIAL REVENUE FUND – FOOD SERVICE - COMPARATIVE BALANCE SHEET

JUNE 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash and Deposits	\$ 10,531	\$ 3,592
Accounts Receivable, State	2,147	2,184
Inventory	<u>2,598</u>	<u>3,529</u>
TOTAL ASSETS	<u>\$ 15,276</u>	<u>\$ 9,305</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>LIABILITIES</u>		
Due to Other Funds	<u>10,175</u>	<u>1,201</u>
TOTAL LIABILITIES	10,175	1,201
<u>FUND EQUITY</u>		
Fund Balance - Unreserved	<u>5,101</u>	<u>8,104</u>
TOTAL FUND EQUITY	5,101	8,104
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 15,276</u>	<u>\$ 9,305</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**SPECIAL REVENUE FUND – FOOD SERVICE - STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE – ACTUAL COMPARED TO BUDGET**

FISCAL YEAR ENDED JUNE 30, 2006
(With Comparative Totals for Fiscal Year Ended June 30, 2005)

	FISCAL YEAR ENDED JUNE 30, 2006			FISCAL YEAR ENDED 6/30/05
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
<u>REVENUES</u>				
Local Sources				
Student Breakfast / Lunches	\$104,180	\$ -	\$ -	\$ 93,325
Adult Lunches	4,955			4,126
Milk	742			633
Ala Carte	57,790			51,406
Interest	73			86
Miscellaneous	57	-	-	-
Total Local Sources	167,797	152,200	15,597	149,576
State Sources				
School Lunch Program	11,795	11,000	795	12,974
Federal Sources				
Federal Aid	104,677			103,596
USDA Commodities/Bonus	13,088			12,419
Total Federal Sources	117,765	130,000	(12,235)	116,015
TOTAL REVENUES	\$297,357	\$293,200	\$ 4,157	\$278,565
<u>EXPENDITURES</u>				
Nonprofessional Salaries	83,259	-	-	80,987
Insurance	13,872			10,566
FICA/Retirement	18,708			17,490
Other Benefits	960			-
Supplies and Materials	177,310			178,391
Repairs and Maintenance	4,027			2,016
Capital Outlay	1,026			-
Other Costs	1,198	-	-	1,627
TOTAL EXPENDITURES	\$300,360	\$293,200	\$ (7,160)	\$291,077
Excess of Revenues Over Expenditures	(3,003)	-	(3,003)	(12,512)
FUND BALANCE, JULY 1	8,104			20,616
FUND BALANCE, JUNE 30	\$ 5,101			\$ 8,104

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

SPECIAL REVENUE FUND – BOOKSTORE ACCOUNT – COMPARATIVE BALANCE SHEET*JUNE 30, 2006 and 2005*

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash and Deposits	\$ 3,442	\$ 3,259
Inventory	<u>375</u>	<u>333</u>
TOTAL ASSETS	<u>\$ 3,817</u>	<u>\$ 3,592</u>
<u>FUND EQUITY</u>		
Fund Balance, Unreserved	<u>3,817</u>	<u>3,592</u>
TOTAL FUND EQUITY	<u>\$ 3,817</u>	<u>\$ 3,592</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**SPECIAL REVENUE FUND – BOOKSTORE ACCOUNT – STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE – ACTUAL COMPARED TO BUDGET**

FISCAL YEAR ENDED JUNE 30, 2006
(With Comparative Totals for Fiscal Year Ended June 30, 2005)

	<u>FISCAL YEAR ENDED JUNE 30, 2006</u>			<u>FISCAL YEAR ENDED 6/30/05</u>
	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE Favorable (Unfavorable)</u>	
<u>REVENUES</u>				
Sales	\$ 1,086	\$ 1,086	\$ -	\$ 1,572
TOTAL REVENUES	1,086	1,086	-	1,572
<u>EXPENDITURES</u>				
Supplies and Materials	861	903	42	1,536
TOTAL EXPENDITURES	861	903	42	1,536
Excess of Revenues Over (Under) Expenditures	225	183	42	36
FUND BALANCE, JULY 1	3,592			3,556
FUND BALANCE, JUNE 30	<u>\$ 3,817</u>			<u>\$ 3,592</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

SPECIAL REVENUE FUND – ATHLETIC FUND – COMPARATIVE BALANCE SHEET

JUNE 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash and Deposits	\$ 1,596	\$ 1,130
TOTAL ASSETS	<u>\$ 1,596</u>	<u>\$ 1,130</u>
<u>FUND EQUITY</u>		
Fund Balance, Unreserved	<u>1,596</u>	<u>1,130</u>
TOTAL FUND EQUITY	<u>\$ 1,596</u>	<u>\$ 1,130</u>

The notes to the financial statements are an integral art of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**SPECIAL REVENUE FUND – INTERSCHOLASTIC ATHLETIC FUND - STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – ACTUAL COMPARED
TO BUDGET**

FISCAL YEAR ENDED JUNE 30, 2006
(With Comparative Totals for Fiscal Year Ended June 30, 2005)

	FISCAL YEAR ENDED JUNE 30, 2006			FISCAL YEAR ENDED 6/30/05
	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	
REVENUES				
Local Sources				
General Admissions and Other Interest	\$ 39,841 100	\$ -	\$ -	\$ 39,313 115
Total Local Sources	39,941	35,303	4,638	39,428
Other Financing Sources				
Transfer from General Fund	165,300	165,000	300	165,000
TOTAL REVENUES AND OTHER FINANCING SOURCES	205,241	200,303	4,938	204,428
EXPENDITURES				
Professional Salaries	73,455	-	-	83,603
Nonprofessional Salaries	18,094			30,547
Insurance	8,387			11,475
FICA/Retirement	20,550			17,936
Purchased Services	47,293			16,754
Supplies and Materials	25,131			30,658
Other Costs	11,865	-	-	14,632
TOTAL EXPENDITURES	\$204,775	\$223,754	\$ 18,979	\$205,605
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	466	(23,451)	23,917	(1,177)
FUND BALANCE, JULY 1	1,130			2,307
FUND BALANCE, JUNE 30	<u><u>\$ 1,596</u></u>			<u><u>\$ 1,130</u></u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

DEBT RETIREMENT FUND - COMPARATIVE BALANCE SHEET

JUNE 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash and Deposits	\$ 145,077	\$ 57,509
Investments	-	3,559,789
Delinquent Taxes Receivable	<u>3,953</u>	<u>10,392</u>
TOTAL ASSETS	<u>\$ 149,030</u>	<u>\$ 3,627,690</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>LIABILITIES</u>		
Accrued Interest	<u>-</u>	<u>248</u>
TOTAL LIABILITIES	-	248
<u>FUND EQUITY</u>		
Fund Balance, Reserved	<u>149,030</u>	<u>3,627,442</u>
TOTAL FUND EQUITY	149,030	3,627,442
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 149,030</u>	<u>\$ 3,627,690</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**DEBT RETIRMENT FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – ACTUAL COMPARED TO BUDGET**

FISCAL YEAR ENDED JUNE 30, 2006

(With Comparative Totals for Fiscal Year Ended June 30, 2005)

	2006	2005
<u>REVENUES</u>		
<u>Local Sources</u>		
Property Taxes	\$ 914,489	\$ 896,815
Interest & Penalties on Taxes	8,102	1,690
Other Taxes	29,023	23,863
Interest on Investments	17,350	24,617
Miscellaneous Revenue		
Total Local Sources	\$ 968,964	\$ 946,985
<u>State Sources</u>		
Durant	\$ 3,753	\$ -
Total State Sources	\$ 3,753	\$ -
TOTAL REVENUES	\$ 972,717	\$ 946,985
<u>OTHER FINANCING SOURCES</u>		
Bond Proceeds	-	3,675,203
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 972,717	\$ 4,622,188
<u>EXPENDITURES</u>		
Principal	527,587	540,000
Interest	363,003	407,135
Finance Charges	-	852
Other	750	3,222
TOTAL EXPENDITURES	\$ 891,340	\$ 951,209
<u>OTHER FINANCING USES</u>		
Bond Cost Issuance	-	74,589
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	81,377	3,596,390
FUND BALANCE, JULY 1 BEFORE ADJUSTMENT	3,627,442	31,052
Adjustment to Account for Defeasance of Debt	(3,559,789)	-
FUND BALANCE, JULY 1 AFTER ADJUSTMENT	67653	31,052
FUND BALANCE, JUNE 30	\$ 149,030	\$ 3,627,442

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

CAPITAL PROJECTS FUND - COMPARATIVE BALANCE SHEET

JUNE 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash and Deposits	\$ 1,342,920	\$ 1,367,029
TOTAL ASSETS	<u>\$ 1,342,920</u>	<u>\$ 1,367,029</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>LIABILITIES</u>		
Due To Other Funds	<u>583</u>	<u>583</u>
TOTAL LIABILITIES	583	583
<u>FUND EQUITY</u>		
Fund Balance, Unreserved	<u>1,342,337</u>	<u>1,366,446</u>
TOTAL FUND EQUITY	1,342,337	1,366,446
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 1,342,920</u>	<u>\$ 1,367,029</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**CAPITAL PROJECTS FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – ACTUAL COMPARED TO BUDGET**

FISCAL YEAR ENDED JUNE 30, 2006
(With Comparable Totals for Fiscal Year Ended June 30, 2005)

	<u>2006</u>	<u>2005</u>
<u>REVENUES</u>		
Interest	\$ 38,864	\$ 23,140
Miscellaneous	<u>20,650</u>	<u>14,373</u>
TOTAL REVENUES	\$ 59,514	\$ 37,513
 <u>EXPENDITURES</u>		
Other Expenditures	18	-
Capital Outlay	<u>83,605</u>	<u>94,337</u>
TOTAL EXPENDITURES	\$ 83,623	\$ 94,337
 Excess of Revenues Over (Under) Expenditures	 (24,109)	 (56,824)
 FUND BALANCE, JULY 1	 <u>1,366,446</u>	 <u>1,423,270</u>
FUND BALANCE, JUNE 30	<u><u>\$ 1,342,337</u></u>	<u><u>\$ 1,423,270</u></u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**TRUST AND AGENCY FUND - STATEMENT OF CHANGES IN ASSETS, LIABILITIES, AND
FUND BALANCE**

FISCAL YEAR ENDED JUNE 30, 2006

	<u>BALANCE JUNE 30, 2005</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE JUNE 30, 2006</u>
<u>ASSETS</u>				
Cash and Deposits	\$ 285,141	\$ 224,981	\$ 186,760	\$ 323,362
Investments	5,512	-	-	5,512
TOTAL ASSETS	<u>\$ 290,653</u>	<u>\$ 224,981</u>	<u>\$ 186,760</u>	<u>\$ 328,874</u>
<u>LIABILITIES AND FUND EQUITY</u>				
<u>LIABILITIES</u>				
Student Activities	85,558	167,514	162,030	91,042
TOTAL LIABILITIES	85,558	167,514	162,030	91,042
<u>FUND EQUITY</u>				
Scholarship Accounts	205,095	57,467	24,730	237,832
TOTAL FUND EQUITY	<u>205,095</u>	<u>57,467</u>	<u>24,730</u>	<u>237,832</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 290,653</u>	<u>\$ 224,981</u>	<u>\$ 186,760</u>	<u>\$ 328,874</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

AGENCY FUNDS - SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS

FISCAL YEAR ENDED JUNE 30, 2006

	Balance July 1, 2005	Receipts	Disbursements	Balance June 30, 2006
<u>ASSETS</u>				
Cash and Deposits	<u>\$ 85,558</u>	<u>\$ 177,514</u>	<u>\$ 172,030</u>	<u>\$ 91,042</u>
<u>LIABILITIES</u>				
Youth in Government	\$ 320	\$ -	\$ -	\$ 320
SADD	1,124	176	350	950
Central Office	500	150	150	500
School Improvement	448	-	-	448
Special Interest	14,725	10,807	10,000	15,532
Library	578	82	80	580
E.E. Flower Fund	270	250	500	20
NVEA School	2,507	1,394	1,550	2,351
Surplus Fund	5,117	1,026	135	6,008
German Class	4,268	20,041	21,696	2,613
Class of 2004	1,026		1,026	-
Class of 2005	1,021	-	154	867
Class of 2006	1,808	1,568	1,874	1,502
Class of 2007	2,498	5,917	6,693	1,722
Class of 2008	1,866	76	128	1,814
Class of 2009	1,795	187	321	1,661
Class of 2010	1,354	4,228	3,773	1,809
Class of 2011	961	1,123	483	1,601
Class of 2012	301	1,000	534	767
Class of 2013	-	1,000	660	340
Varsity Cheerleaders	5,829	13,505	14,560	4,774
Forensics	1,414	-	-	1,414
Athletics	7,150	18,058	17,422	7,786
Art Club	641	4,899	4,797	743
Community Schools	2,021	1,370	3,159	232
NHS Student Council	1,141	8,453	9,498	96
Annual	1,741	14,713	12,031	4,423
Elementary School	5,329	8,060	8,382	5,007
Middle School	2,538	22,510	21,358	3,690
Junior High Student Council	549	1,798	1,685	662
Middle School Instrumental	564	3,009	2,862	711
High School Band	63	2,162	1,890	335
Vocal Music	84	3,393	3,477	-
General Account	3,736	10,853	7,160	7,429
Industrial Arts	1,646	-	-	1,646
Key Club	776	2,766	2,687	855
Wrestling Club	1,667	2,098	1,433	2,332
Junior High Cheerleaders	\$ 485	\$ 681	\$ 819	\$ 347

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

**AGENCY FUNDS - SUPPLEMENTAL SCHEDULE OF RECEIPTS AND DISBURSEMENTS
(CONTINUED)**

FISCAL YEAR ENDED JUNE 30, 2006

	Balance July 1, 2005	Receipts	Disbursements	Balance June 30, 2006
Drama	\$ 1,256	\$ 1,325	\$ 1,258	1,323
Tech Prep	2,685	-	-	2,685
Video Editing	286	-	85	201
Middle School SADD	124	-	-	124
NHS Girls Basketball	-	3,435	2,355	1,080
NHS Football	946	4,206	3,881	1,271
NHS Boys Basketball	400	1,195	1,124	471
TOTAL LIABILITIES	<u>\$ 85,558</u>	<u>\$ 177,514</u>	<u>\$ 172,030</u>	<u>\$ 91,042</u>

The notes to the financial statements are an integral part of this report.

NORWAY-VULCAN AREA SCHOOL DISTRICT

PROPERTY TAX DATA

FOR THE YEAR ENDED JUNE 30, 2006

<u>YEAR LEVIED</u>	<u>LEVY</u>	<u>COLLECTIONS AND ADJUSTMENTS</u>	<u>BALANCE JUNE 30, 2006</u>
GENERAL FUND			
2005-06	\$ 734,139	\$ 729,107	\$ 5,032
2004-05	715,402	714,364	1,038
2003-04	674,667	672,507	2,160
2002-03	<u>673,628</u>	<u>673,269</u>	<u>359</u>
TOTAL GENERAL FUND	\$ 2,797,836	\$ 2,789,247	\$ 8,589
DEBT RETIREMENT FUND			
2005-06	\$ 914,489	\$ 912,166	\$ 2,323
2004-05	896,816	896,171	645
2003-04	849,422	849,067	355
2002-03	789,849	789,470	379
2001-02	<u>748,909</u>	<u>748,658</u>	<u>251</u>
TOTAL DEBT RETIREMENT	\$ 4,199,485	\$ 4,195,532	\$ 3,953
TOTAL ALL FUNDS	<u>\$ 6,997,321</u>	<u>\$ 6,984,779</u>	<u>\$ 12,542</u>

The notes to the financial statements are an integral part of this report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education
Norway-Vulcan Area School District
300 Section Street
Norway, Michigan 49870

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Norway-Vulcan Area School District** as of and for the year ended June 30, 2006, which collectively comprise the **Norway-Vulcan Area School District's** basic financial statements, and have issued our report thereon dated August 09, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **Norway-Vulcan Area School District's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

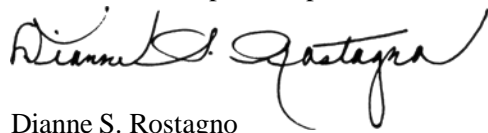
As part of obtaining reasonable assurance about whether the **Norway-Vulcan Area School District's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

Compliance and Other Matters (Continued)

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the **Norway-Vulcan Area School District**, Norway, Michigan, in a separate letter dated August 09, 2006.

This report is intended solely for the information and use of the audit committee, management, the Board, and federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno", written in a cursive style.

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

August 09, 2006

DS Rostagno, CPA, P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

Board of Education
Norway-Vulcan Area School District
Norway, Michigan 49870

In planning and performing the audit of the financial statements of the **Norway-Vulcan Area School District**, we considered the School's internal control structure to plan the auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect our report dated August 09, 2006, on the financial statements of the **Norway-Vulcan Area School District**. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which have been discussed with appropriate School officials, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience or to assist you in implementing the recommendations. Our comments are summarized as follows:

BUDGETARY

Problem

During the fiscal year ended June 30, 2005, the School District incurred several expenditures which were in excess of amounts appropriated.

No formal budget was adopted for the bookstore.

Recommendation

It was recommended that closer monitoring be done in regards to budgetary appropriations and expenditures. A budget should be adopted for the school bookstore.

Resolution

A budget has been adopted for the bookstore, resolving this matter. However, there were several expenditures during the 2005-06 fiscal year that exceeded appropriated amounts.

Current Recommendation

Closer monitoring is required in regards to budgetary appropriations and expenditures.

Norway-Vulcan Area School District

Page 2

STUDENT ACTIVITIES

Problem

In conjunction with the prior audit, we noted that all records pertaining to the various student activities were reported and maintained by School District office personnel. Student groups generally lack the knowledge of the amount of earnings, expenditures, and year-end balances in their accounts. Therefore, there is no method to confirm transactions or balances in any group activity. Detection of clerical errors or fraud would be far more difficult.

Recommendation

It was recommended that each student group maintain its own set of accounting records, keeping a running total of all fund-raising revenues, expenses, and ending cash balances. At year-end, these records should be turned in to the office of the principal, where they are to be held for safe-keeping. These records should then be made available to provide an independent confirmation of activities and balances at the time of audit.

Signature of group advisors should be provided at year-end to confirm their agreement with these accounting records.

Every group activity should be required to comply with this requirement, without exception.

Resolution

This issue has not been resolved.

ACCOUNT NUMBERS AND CLASSIFICATION

Problem

We noted in the prior audit that the District had not completed the required transition to the new account structure and codification as required by the Michigan Department of Education.

Recommendation

It was recommended that a thorough review be conducted in the District's account structure and that all required corrections are completed.

Resolution

This has been satisfactorily resolved.

INCOMPLETE FINANCIAL REPORTING

Problem

In conjunction with the prior audit, we found that prior year audit adjusting entries had not been made. The Scholarship Fund activity was only partially recorded.

Norway-Vulcan Area School District

Page 3

INCOMPLETE FINANCIAL REPORTING (Continued)

Recommendation

We recommended that all financial activity be promptly and accurately reported in the financial statements. These financial statements should be reviewed monthly for accuracy and completeness. Audit adjusting journal entries should be made and fund balances compared to the corrected fund balances in each fund.

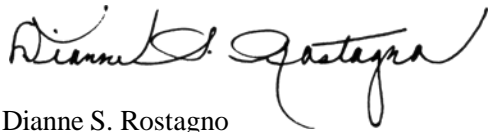
Resolution

This has been satisfactorily resolved.

The above recommendations have been discussed with school officials.

It has been a pleasure working with the administration and staff, and we wish to express our appreciation for their cooperation and assistance during the audit engagement.

Yours very truly,

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno". The signature is fluid and cursive, with the first name "Dianne" being more prominent.

Dianne S. Rostagno
DS ROSTAGNO, CPA, P.C.

August 09, 2006